Before the
Federal Communications Commission
Washington, D.C.

In the Matter of	)	
Federal-State Joint Board on	)	CC Docket 96-45
Universal Service	)	

Reply Comments of the Montana Telecommunications Association Regarding Voice Grade Access

I. Introduction

MTA represents both commercial and cooperative rural independent telephone companies in Montana. Southern Montana Telephone Company, for example, serves fewer than 1,000 access lines in several Southwestern Montana counties, while the association's largest member, CenturyTel Communications, serves 57,000 customers in Montana's Flathead Valley. All but one of MTA's member companies serve fewer than 19,000 access lines.

MTA's members average less than three access lines per mile; its co-ops serve fewer than two access lines per mile. Collectively, Montana's rural independent telephone companies employ about 800 people in Montana. Their service territories cover about 80% (122,000 square miles) of Montana's land mass, and serve over 31% of Montana's population. These companies have deployed over 5,000 miles of fiber and are capable of providing broadband services to customers using both ATM and IP based technologies. MTA members also participate in the operation of nearly 90 full-motion, ATM/IP-based educational videoconference sites in rural Montana, in places where no one else would go. Montana is one of only three states in the U.S. in which over 40% of the companies in the state provide DSL service to their customers. This figure is growing rapidly as MTA's member companies aggressively expand DSL deployment.

II. Upgrading Voice Grade Access, without Appropriate Cost Recovery, is Cost Prohibitive

MTA commends the Rural Utilities Service (RUS) for drawing attention to issue of making higher bandwidth available to American telecommunications services consumers. The proposed revisions to voice grade access however are not feasible without commensurate support from universal service.

In Circle, Montana, for instance, Mid-Rivers Telephone Cooperative is upgrading its network to accommodate DSL deployment that can reach 70 percent of the Circle exchange's 1,000 customers. The exchange serves an area more than 1,500 square miles. But it would cost an estimated $9 million for Mid-Rivers to deploy DSL to the other 30 percent (300 people) of Circle's customers (or, $30,000 per customer), some of whom live as far away 70 miles from the wire center.

Universal service is helping customers of companies like Mid-Rivers receive services comparable to those available in urban areas, at comparable rates. But diverting valuable resources away from investment in more productive, long-term network enhancements such as DSL deployment, will delay the benefits to consumers of such priority investments in broadband technologies.

In this regard, MTA supports the comments of the National Exchange Carrier Association (NECA), the National Telephone Cooperative Association (NTCA), and the United States Telecom Association (USTA). Together, these associations pointed out that the cost of upgrading current telephone networks to accommodate the proposed revised bandwidth requirements outweighs the perceived benefits.

As NECA attests, the cost of this proposal "will impose significant and widely disparate cost burdens" particularly on small, rural telephone companies.[1] In Montana, for example, where 20-mile loops are not uncommon, and the average access lines per mile is under three, the investment required cannot be recovered. Without increasing universal service support to defray the costs of implement the proposed voice grade access revision, implementation of the proposed revision simply is prohibitive.

NECA further points out that upgrading voice-grade plant, "to accommodate only slightly higher *analog* modems (a technology that is rapidly becoming outdated)" may be focusing attention and resources in the wrong direction. [Emphasis added.] Instead, the Commission and companies alike should be directing their energies toward deployment of *digital* broadband technologies.

Without a commensurate increase in universal service support, companies would be forced to divert investments otherwise intended for more effective network upgrades, such as those that support deployment of DSL services and other broadband digital services. As noted above, MTA member companies are investing heavily in broadband service deployment. The proposed voice grade access revisions, without appropriate support, would put these plans on hold.

III. The Universal Service Cap Has Cost Rural Consumers $63 Million in 1999 Alone

Not only are companies unable to recover their costs of implementing the proposed voice grade access revisions under this Notice, but universal service support itself is "capped" under current FCC rules. This USF high cost fund cap further limits rural telcos' ability to invest in network upgrades, current voice grade standards notwithstanding.

[1] Before the Federal Communications Commission, In the Matter of Federal-State Joint Board on Universal Service, Docket 96-45. Comments of the National Exchange Carrier Association, Inc.

In 1994, several MTA member companies purchased local exchanges from US WEST, and have since invested millions of dollars in upgrading these acquired facilities. For example, Blackfoot Telephone Cooperative acquired nine exchanges serving about 7,000 access lines in 1994 from US WEST. All of those exchanges were served by 355A step-by-step switching machines installed in the 1950's and 1960's. Since then, Blackfoot has invested nearly $17 million. All of these exchanges now are served by a Nortel DMS100 switch. None of the exchanges had 911 emergency services, custom calling features, Signaling System 7, calling number delivery, voice mail, ISDN or DSL, or access to the Internet. Today, all of these services are available to Blackfoot's customers in these exchanges, and elsewhere served by Blackfoot. Additionally, the exchanges are served by an extensive, 252-mile fiber optic network. All of these investments were made without increasing any local rates.

Blackfoot is not alone, either. Other companies like 3 Rivers Telephone Cooperative, Range Telephone Cooperative, and Mid-Rivers similarly acquired antiquated US WEST exchanges, and similarly made investments in upgrading significantly their acquired network facilities.

The kinds of investments made by Montana's independent telephone companies in upgrading facilities acquired from US WEST clearly have benefited Montana's consumers. Moreover, these investments were made with the support of the USF high cost mechanism. Meanwhile, the local exchange companies continue to upgrade their networks, bringing new and/or improved services to customers in their service territories.

Universal Service support has been, and continues to be critical to these companies' ability to invest in the kinds of technology and services that their consumers deserve. Universal service is doing precisely what federal law

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January 19, 2000.

provides. Service in rural Montana is comparable in terms of price and quality to service in more densely populated centers in the United States.

The relative costs of making investments in rural areas like Montana with so few consumers and so much distance between customers demonstrate the need for universal service support. Capping this support negatively affects the very rural customers that universal service is intended to benefit. According to the National Exchange Carriers Association (NECA) comments to the Commission in this matter, the cap has cost American consumers nearly $63 million in lost network investment in 1999 alone.

Had the FCC applied its rules which "cap" the Universal Service Fund (USF) for high cost rural telephone companies, it is questionable whether the customers of the acquired US WEST exchanges would have realized the benefits that have accrued to them since 1994. The cap also impedes the ability of rural telephone companies to make on-going network upgrades that will accommodate the deployment of broadband services in high cost areas. As the Fifth Circuit ruled last week in discussing sufficient funding for USF, "the purpose of universal service is to benefit the customer, not the carrier."   There is no doubt that the consumers of Montana benefited from the investments made by those companies which acquired US WEST exchanges. There also is little doubt that investments of the level made could have been possible if the cap had been imposed on these customers.

IV. Conclusion

Given Montana's experience as outlined above, MTA recommends that the FCC not adopt the proposed voice grade access revisions, without commensurate support from universal service fund, which currently is capped under FCC Rules. The cap not only prevents carriers from complying effectively with the voice grade proposal, but limits their ability to invest in network upgrades that could support more effective long-term deployment of broadband technologies and services. The FCC more constructively could focus resources on expanding consumers' access to broadband services in rural areas by lifting the USF cap, and by exploring revisions to the definition of universal service to include DSL and other digital broadband technologies as supported services.

Respectfully Submitted,

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February 4, 2000